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C O N F I D E N T I A L SECTION 01 OF 02 JERUSALEM 001608

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NEA FOR FRONT OFFICE AND IPA; NSC FOR SHAPIRO/KUMAR; DEPT
PASS TO USAID FOR BORODIN, JOINT STAFF FOR LTGEN
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TAGS: [EINV](#) [EAID](#) [ECON](#) [KWBG](#) [KPAL](#) [PTER](#) [PREL](#) [IS](#)

SUBJECT: PA VIEWS JOINT ECONOMIC COMMITTEE AS CRITICAL, BUT
CONCERNED BY POLITICIZATION

REF: A. JERUSALEM 1117

[1](#)B. FBIS GMP20090903745007

[1](#)C. TEL AVIV 1950

Classified By: A/PO Greg Marchese, for reasons 1.4b and d

[1](#)1. (C) Summary: The PA-GOI Joint Economic Committee (JEC) met at the Ministerial-level on September 2 to discuss economic issues, including customs, visa restrictions, investor access, inputs for businesses, Wataniya, import of meat products, and marketing of West Bank dairy products in Jerusalem. PA delegates presented a position paper covering all agenda items, but said few decisions were taken on items of substance. PA Minister of National Economy (MoNE) Bassim Khoury called the atmosphere positive, and noted that the parties agreed to convene the JEC again in six weeks and to re-start meetings of select JEC subcommittees. Khoury was dismayed, however, by GOI statements to the press linking these talks to political negotiations, which Hamas exploited to denounce Khoury as a "collaborator." End summary.

JEC Reconvenes, and the PA was Ready

[1](#)2. (SBU) The Israeli-Palestinian JEC met in Jerusalem on September 2, led by PA Minister of National Economy Bassim Khoury and Israeli Vice Prime Minister and Minister for Regional Development Silvan Shalom. Minister Khoury and Senior Policy Advisor Saad Khatib briefed EconOffs on the results of the JEC on September 3. They highlighted positively that the PA and GOI agreed to convene three more JEC meetings before the end of 2009, and that four subcommittees (agriculture, tourism, health, and trade) would be re-activated and meet prior to each JEC.

[1](#)3. (C) The PA representatives said that they came to the JEC prepared with specific, documented requests of the GOI, as well as the legal basis for their requests. They noted that they passed a nine-page paper to the GOI (a copy is posted on ConGen Jerusalem's unclassified intelink site: http://www.intelink.gov/communities/state/pal_econ/). Khatib said that the meeting was held in a "good, positive environment" and that only Gaza - which he said the GOI refused to discuss "until Gilad Shalit is released" - was taken off the agenda.

Inputs: Chemicals, Equipment, Machinery

[1](#)4. (C) Khoury noted that GOI restrictions on the entry of certain chemical and equipment into the West Bank are hobbling businesses in a range of sectors. He specifically

raised NAPCO's difficulty importing sulfuric acid, which is on the dual-use list, as well as the refusal of a permit for equipment to maintain medical dialysis equipment. According to Khatib, Shalom's referral of this issue to the Trade subcommittee upset a COGAT representative at the meeting, who said this was "a military issue." Khatib said that the resolution of specific cases, which involved well-known, established companies, should not wait for the PA and the GOI to agree on an overall mechanism to control dual-use items. He claimed that the chemicals being requested in a number of cases were the same as those used (without formal end-use certification) in Israel.

Entry of Tourists and Investors

15. (C) Khoury stressed the negative impact of new GOI policies that grant permits for the "Palestinian Authority only" when entering the West Bank from Jordan via the Allenby Bridge, and that have visitors commit in writing not to enter the West Bank when entering Israel through Ben Gurion Airport. The issue, he said, was referred to the tourism subcommittee. He also raised the impact on investors, as well as the lack of long-term investor visas. The GOI asked for a list of investors, which Khoury committed the Palestinian Investment and Promotion Agency (PIPA) to provide. (Note: PA Ministry of Tourism officials claimed that they were not able to attend the JEC because their Deputy Minister did not receive a permit until an hour before the start of the meeting. End Note.)

Wataniya

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16. (C) Khatib reported that the whole conversation on Wataniya lasted "eight or nine minutes" and focused on Khoury's presentation that Wataniya "can't afford to fail" given the devastating impact a Wataniya pull-out would have on future potential investors, as well as on PA finances. According to Khatib, Shalom was unaware of the 2007 agreement between the PA and GOI on Wataniya. A short technical discussion ensued; but no resolution was reached. (Note: The Joint Technical Committee (JTC) was meeting concurrently on Wataniya on Sept 2; that discussion was also reportedly inconclusive. End Note.)

Meat Issues

17. (C) Khatib said the GOI confirmed the cut-off of animal and dairy products from the West Bank into East Jerusalem (ref A) has been deferred until January 1, 2010, and the issue will be discussed in the agriculture subcommittee. Separately, the PA stressed the need to increase the quota set in the Paris Protocol regarding the import of live animals and frozen meat to enter the West Bank. Khatib said the GOI responded positively to this request, and the issue will be discussed further in the Trade subcommittee. Khoury said the import restrictions on meat were artificially inflating prices in the West Bank, and the issue has become a political liability for the government heading into Eid al-Fitr.

Next time: Customs and Crossings

18. (C) The PA delegates report that Shalom did not give a response to Khoury's written request of August 26 to return a PA presence to the Allenby Bridge Crossing, in line with the Interim Agreement. The discussion of health care and crossings was deferred for a future meeting, and Khatib said the two sides agreed to dedicate an entire JEC session to the bilateral crossings.

¶9. (C) Both Khoury and Khatib stressed, however, that the positive atmosphere of the meeting has now been overshadowed by comments in the press from Shalom, linking the JEC to political negotiations, and stating Palestinians have agreed "these talks will not be conditioned by any concessions on our part." Khoury was clearly very frustrated, and said that Shalom's comments put him in a very difficult place. He flagged that Hamas immediately released a statement characterizing him as a "traitor" and "collaborator," and he expressed concern for his and his family's safety if the rhetoric continues (ref B). However, he said he believes the Palestinian public as a whole is supportive of such technical meetings. Despite the media flap, he said he expects the PA will continue working through the JEC: "We have real issues with the Israelis on Wataniya and meat imports that need to be dealt with bilaterally."

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